



## Introduction

The Joint Waste Solutions (JWS) budgeting exercise for 2020/21 is the second budget where the total costs from the joint contract authorities (JCAs), Surrey County Council (SCC) partnership functions and the Surrey Environment Partnership (SEP) have been brought together into a single budget. When the budget for 2019/20 was approved by the Joint Waste Collection Services Committee (JWCSC) in January 2019, it was done so on the understanding that a number of assumptions had been made in order to build a single budget, and that these assumptions would be monitored going forward and revised as appropriate.

Since January, a great deal of change has occurred for JWS. The team has been restructured and the new structure went live in April 2019. The way in which support functions are provided to JWS has developed, in particular the way in which finance support is provided. The team has moved to a new base in Woking, whilst continuing to operate out of civic centres across the partnership area to meet operational requirements. And the Surrey Waste Partnership has changed its name to the Surrey Environment Partnership (SEP) whilst expanding its remit to include wider environmental issues, thereby impacting on the JWS work programme.

Given the scale of change since the 2019/20 budget was created, a zero-based budgeting exercise was carried out to ensure that all components of the budget are fully understood, cost-effective and relevant. The initial results of this exercise were discussed at the Contract Partnering Board meeting in September and individually with finance officers within the partner authorities where possible.

In November, the Contract Partnering Board commended this budget proposal to the Joint Committee for agreement and subsequent referral to the individual partner authorities for approval.

## Budget areas

JWS are responsible for managing a range of budgets, which are set out in figure 1 below.

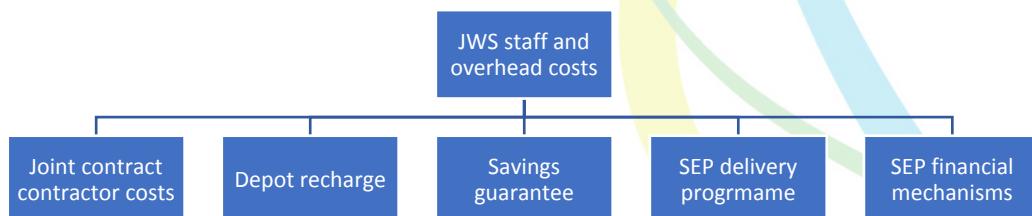


Figure 1: JWS budget areas

The SEP delivery programme and SEP financial mechanisms will be considered by the SEP at their meeting in February. The remaining four budget areas set out in figure 1 will be discussed in turn.

### JWS staff and overhead costs

The zero-based budgeting exercise has identified a growth in JWS costs of £115,942 split across the six funding partners, from £2.40m to £2.52m. Appendix 2 shows the full cost breakdown in 2019/20, appendix 3 the projected costs in 2020/21 and appendix 4 the cost changes by budget heading. These costs are divided into eight budget areas, which are discussed in more detail below. The main reasons for this increase are the full year effect of recruiting into the vacancies that the JWS team has been carrying for some time and paying for a full year of office costs at Dukes Court in Woking.

#### *Salaries*

The salaries budget has been split into partner shares based on an estimated allocation of staff time on work for the JCAs, SCC and SEP. These allocations can vary from year to year according to the work programme and priorities of the funding partners.

The allocations for 2019/20 are shown in the table at the top of appendix 2 and the proposed allocations for 2020/21 are at the top of appendix 3. There is a small reduction in percentage allocations for the JCAs and SCC, with a small increase for SEP.

As was the case in 2019/20, the partner shares of the salaries budget have then been applied to a number of other budgets, as detailed below. The zero-based budgeting exercise has meant that the divisions between these categories is now clearer, with some sub-budgets moving between these budget headings.

#### *Team costs*

Team costs are projected to total £148,959 in 2020/21. The largest costs within this budget relate to the two-year relocation allowance paid to staff whose place of work moved by 10 miles or more as a result of the JWS reorganisation, car allowances, expenses, training and telephone contracts.

#### *Support costs*

The ICT budget line in 2019/20 has been added to support costs in 2020/21. Support costs total £128,000 and include software licences as well as support from finance, legal, ICT, HR and democratic services.

#### *Office costs*

This budget totals £102,694 and includes all costs associated with the JWS head office in Woking, including rent, business rates, service charges and wifi.

### *JCA only budgets*

The four remaining JWS budgets are divided four ways between the JCAs as they relate exclusively to joint contract activity.

The communications and engagement budget has been increased by £2,500 since 2019/20 as a result of reclassifying website development under this budget code. The communications and engagement plan for 2019/20 was discussed at the Joint Committee meeting in October and the budget for 2020/21 assumes a similar approach will continue in the new financial year. The single largest spend within this budget is £70,000 allocated to potential round reorganisation. Amey are currently working on a timeline for when this might be delivered and whether these monies will be required in 2019/20 or 2020/21. Should this work not be completed in 2019/20, it has been agreed that the remaining spend is carried forward into 2020/21 as no additional allowance for this has been made in the 2020/21 communications budget.

Contract specific legal and technical support is provided by Sharpe Pritchard and Eunomia and is projected to cost £20,000 in 2020/21.

The remaining two contract specific budgets relate to health and safety and business continuity. Now that initial work has taken place to develop plans in these areas, projected spend has been reduced by £7,500 across these areas in 2020/21.

### Amey contract costs

Contract costs are divided into core charges and variable charges.

Core charges are based on projecting the number of properties requiring each type of service and the kilometres of streets that need to be cleaned in 2020/21 and multiplying these sums by the contractual unit rates. The number of properties currently collected from is added to an estimate of the number of additional properties that are projected to be built in the following financial year. The unit rates are then inflated by contract indexation.

The variable charges include those costs that can vary from month to month, such as bulky waste collections and garden waste subscriptions. These have been estimated based on available data from 2019/20 and multiplied by the contractual unit rates. Again, these rates have been inflated by contract indexation.

Contract indexation is calculated using the percentage increase or decrease in each applicable index published for the 12 months ending on 31<sup>st</sup> January 2020. Appendix 5 shows three different indexation projections, based on actual data from the first 6 months of the year, 9 months of the year and a 12 month rolling average. These methodologies provide a range from 2.45% to 3.59%.

Looking at the most recent direction of travel, advice from finance colleagues is to use an indexation figure of 3% in this proposal, thereby providing more certainty to partner authorities that the final contract costs will be within this budget envelope.

A final calculation of indexation will take place in March 2019 as per the contract and revised costs will then be shared with the Joint Contract authorities.

Appendix 1 shows the budgeted core and variable contract costs for both 2019/20 and 2020/21. The actual cost of the core service in 2019/20 is £11.3m rather than the £11.72m projected at the beginning of the year as a result of lower than projected indexation and an adjustment in how a number of items were charged for. In 2020/21, the core service is projected to cost £11.70m, which includes the indexation projection of 3% and the projected uplift in housing stock next year.

Variable contract costs are difficult to estimate as a result of the ongoing issues with data accuracy. However, based on available data and projected indexation, variable contract costs are projected to cost £1.78m.

Other contract costs relate to the cost of managing WEEE and textiles. The increase of £7,000 from 19/20 to 20/21 is as a result of moving these costs onto a more appropriate budget line. Work is taking place to ensure the cost and income from these materials is fully understood and budgeted accordingly.

#### Depot rental and business rates recharge

All four joint contract depots were valued before contract mobilisation and an estimated rental value was provided by an independent valuer. These have been applied to a steady state partnership share calculated as per the Inter Authority Agreement (IAA) and this has been allocated to each authority. This does not include the full value of the depots but rather the reapportionment of depot values according to the partnership share. The details of this calculation can be found in appendix 6.

It has been agreed that business rates and depot insurance will be paid directly by the authority who owns the depot rather than any apportionment being carried out. These costs have therefore not been included in this budget.

#### Savings guarantee

During the procurement of the joint contract, it was agreed that all partners would benefit from going to market together and therefore all should benefit financially from any collective savings. The IAA states that all authorities should save at least £100k per year, with those authorities making the greatest savings compensating those that saved less than this threshold.

In March 2018, Section 151 officers from each authority agreed a formula to calculate these savings for the length of the contract. The implications of this for each authority are set out in appendix 1.

### **Recommendation**

The Joint Committee is asked to:

- Agree the 2020/21 JWS staff and overheads and joint contract budgets and commend them to individual authorities for approval.